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LEG Housing Market Report NRW 2011

With HousingCostAtlas

LEG's managers, from left:
Thomas Hegel (CEO),
Holger Hentschel (HOO) and
Eckhard Schultz (CFO).

Dear reader,

The exceptionally widespread and positive response to the first LEG Housing Market Report NRW in 2010 demonstrated that we are on the right path. As such, we are delighted to be able to present this second edition to you. The 268-page report contains extensive, updated information on all of the housing markets in the 54 cities and districts of North Rhine-Westphalia. The LEG Housing Market Report NRW 2011 provides details of the economic and demographic conditions in the individual locations, the development of rents and purchase prices for apartments and apartment buildings, the level of construction activity, and vacancy rates. By compiling all of the available information, the report paints a multi-faceted picture of the living conditions experienced by the almost 18 million inhabitants of the state.

One encouraging development relates to the data pool: whereas the analysis in the previous year was impaired to an extent by a lack of data, this situation has improved significantly in a number of regions. Although individual data sets for some of the less densely populated districts remain incomplete this year, the present analysis is almost certainly the most comprehensive evaluation of the regions of a federal state that is currently available in Germany.

The report is intended for anyone with an interest in or enthusiasm for the topic of residential property in North Rhine-Westphalia, be they tenants and owners, cities and municipalities, economic development corporations, urban planners, estate agents or investors. After all, the figures presented in the report highlight not only those areas where new construction activity will be particularly worthwhile in future, but also where new development concepts are expected to be implemented with a view to ensuring the sustainability of the respective location.

The analysis also documents the fact that demographic problem areas are found not only on either side of the Ruhr river, but also in a number of rural regions. With around 90,000 apartments in North Rhine-Westphalia, we know that the 12 major cities and 42 smaller housing markets in the state are far from synchronous in terms of their development – and that there is just a fine line between light and shade in some areas.

We would like to take this opportunity to express our particular gratitude to our research partner CB Richard Ellis, which, as in the previous year, compiled all of the data and evaluated it in conjunction with our regional and branch managers.

We hope the second LEG Housing Market Report NRW makes for interesting reading and look forward to receiving your feedback on the report and its location portraits, which can also be viewed on the LEG website by going to www.leg-nrw.de.

Sincerely,

Thomas Hegel
Management Spokesman,
CEO

Eckhard Schultz
Managing Director,
CFO

Holger Hentschel
Member of Management,
HOO

Münster

Score 37 of max. 48

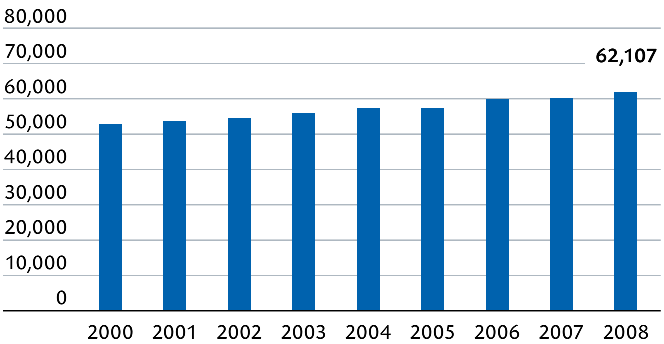
Cyclist-friendly city continually attracting new residents

Every day, some 1.4 million journeys are undertaken in Münster, with residents of the city accounting for just over 1 million of this figure. In around 40 percent of these cases, a bicycle is the chosen method of transport, meaning that cycling accounts for a higher share of transportation in the university city than anywhere else in Germany. Above and beyond this cyclist-friendly culture, there are many reasons for Münster's approximately 46,000 students to stay in the city after graduation. The employment market, the high quality of life and the wide range of cultural activities mean that Münster regularly enjoys a migration surplus. The population increased by 1,668 in 2009 alone, and further rental growth is doing nothing to diminish the attractiveness of the city.

Macroeconomic data	Münster	NRW	Germany	Year
Residents	275,543	17,872,764	81,802,256	2009
Population density (residents/km²)	911	526	230	2009
Population development in %	3.7	−0.8	−0.6	2000–2009
Population forecast in %	4.7	−2.4	−3.6	2009–2025
Households	156,312	8,550,214	39,628,120	2009
Household development in %	2.5	2.8	3.7	2000–2009
Household forecast in %	2.0	1.5	1.1	2009–2020
Buying power	110.0	101.2	100.0	2011
Per capita buying power in €	21,651	19,921	19,684	2011
Workers paying social insurance contributions	126,914	5,766,861	27,380,096	2009
Development of social insurance contributions	7.8	−2.4	−1.6	2000–2009

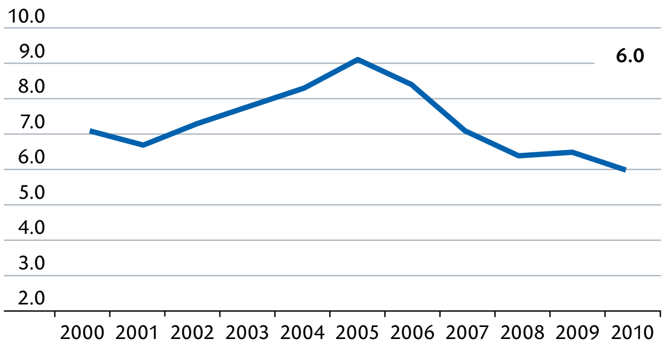
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product
per employed person in €

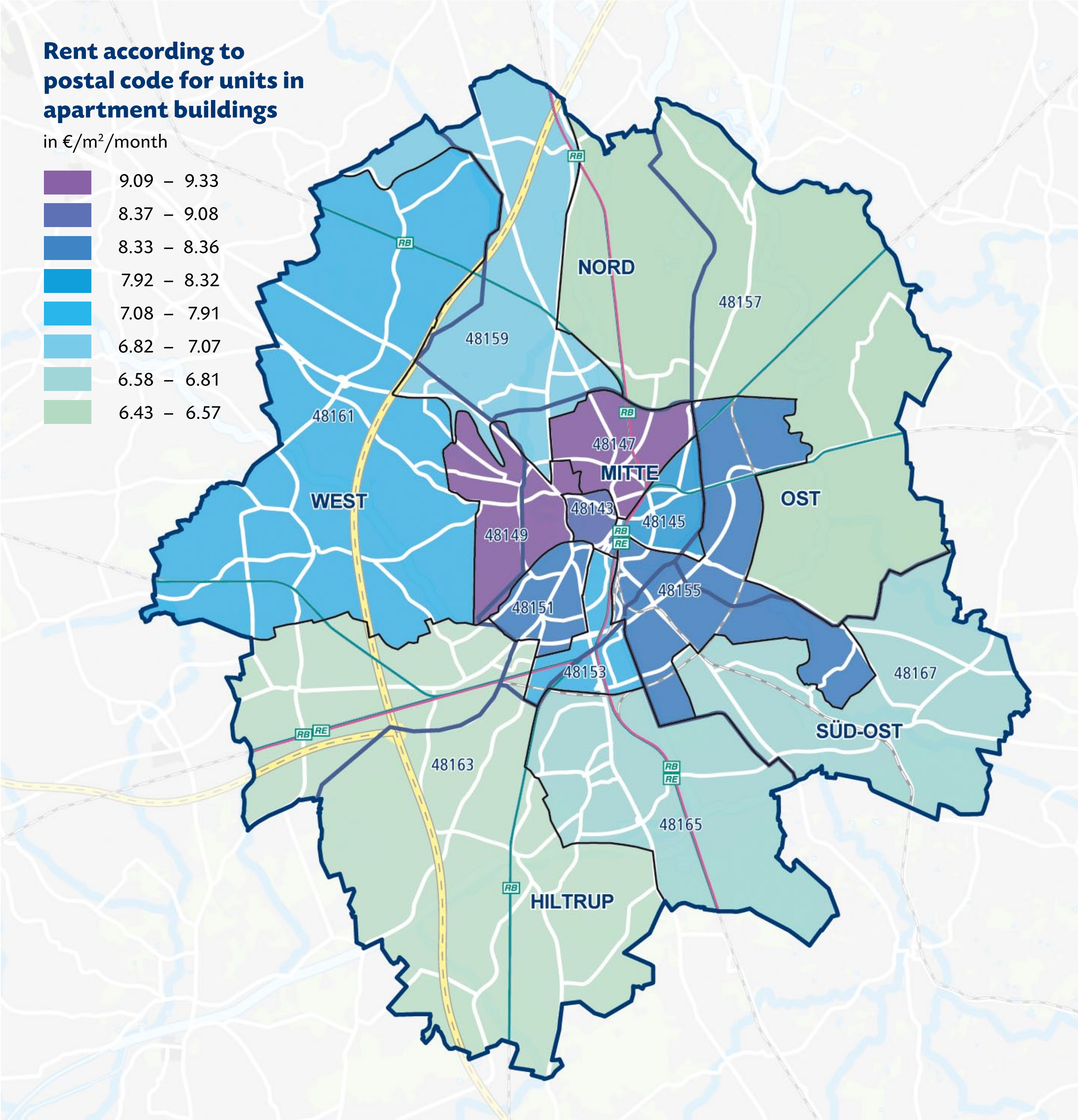


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate
in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

Television viewers in Germany are extremely familiar with the squabbles of Professor Börne (played by Jan-Josef Liefers) and Inspector Frank Thiel (played by Axel Prahl) from the episodes of the crime show Tatort that are set in Münster. As well as criminal cases, the series – which is produced by the public broadcaster ARD – provides a great deal of local color, and communicates one particular message very clearly: the city and the above-average earners who live there enjoy a comparatively strong economic position. The unemployment rate was 6.5 percent in 2009 and has since fallen to 6 percent. The wide range of industries and the large proportion of people employed in the service sector are beneficial for Münster as a business location. As of mid-2010, 86.5 percent of the around 199,500 employees subject to social security were active in the tertiary sector, while 12.6 percent worked in manufacturing and 0.9 percent in agriculture. The large number of public institutions domiciled in Münster means that it has gained a reputation as a "city of civil servants and administrators." This includes the nationally recognized University of Münster and the various administrative institutions of Landschaftsverband Westfalen-Lippe and the Münster district authority. The Higher Administrative Court and the Constitutional Court of North Rhine-Westphalia are also based in the city, while Westfälische Provinzial and LVM Versicherung, two of Germany's largest insurance companies, have their head offices in Münster. The A 1 and A 43 highways connect Münster to the surrounding region, while Münster-Osnabrück International Airport is located around 20 kilometers north of the city.

Highest rental growth in all of North Rhine-Westphalia

It is said that cycling keeps you young. Although there may be some debate as to whether there is a direct link between a culture of cycling and life expectancy, there is no doubt that, statistically speaking, living in Münster gives you a better chance of living to a ripe old age. The average life expectancy for men is 76.3 years, while the figure for women is as high as 83.1 years. This makes Münster one of the German cities with the highest life expectancy. But Münster has more to offer than mere longevity. The small metropolis is extremely popular among locals and visitors alike thanks to its historical city center and wide range of cultural activities. With eight universities, Münster also offers extensive opportunities for higher education.

Many people who come to the city eventually decide to stay. A total of 17,124 people moved to Münster in 2009, while 15,577 moved away. A notable feature of this development is that one-third of new residents were between 18 and 24 years old – thereby falling within the traditional student age range. The high proportion of young migrants is attributable in particular to the fact that more than 5,000 new students start at the city's universities every year. By contrast, 30- to 49-year-olds were the largest group moving away from the city, accounting for one-third of all such departures. This means that Münster is losing citizens who are in the middle of their working life – although the trend is not a dramatic one to date. The city authorities have initiated a campaign aimed at encouraging newly-arrived students, who often keep their home as their main residence, to opt for Münster as their primary residence instead. Those registering as new residents of the city of Münster after December 8, 2010 will be entered into a competition to win a range of prizes.

Owners have the upper hand

Population development in the university city has been positive over recent years, and Münster has no grounds for concern in the longer term. According to the State Statistical Office, the number of inhabitants increased by 3.7 percent to 275,543 between 2000 and 2009 alone, with the number of households growing by 2.5 percent in the same period. Population forecasts suggest that this positive trend will continue in future. Statistics show that the number of inhabitants is expected to increase by 4.7 percent by 2025, while the number of households is forecast to increase by 2 percent between now and 2020, meaning that Münster's landlords can also look to the future with optimism. There is no sign of a downturn in demand for housing. The number of completions and approvals is barely sufficient to meet demand. A total of 1,497 residential units were approved in 2009, 169 more than in the previous year, while the number of apartments completed fell from 1,247 to 1,118 in the same period. The already low vacancy rate declined from 1.9 percent in 2008 to 1.7 percent in 2009. This means that Münster has the lowest vacancy rate of all cities in North Rhine-Westphalia.

Property owners in Münster again benefited from current developments in 2010, with demand driving prices even higher. During the period under review, rents increased by 4.2 percent across all location and quality classes – the highest growth rate among all of the major cities in North Rhine-Westphalia. Rental growth in Münster was higher than in Aachen (+3.9 percent), Cologne and Bonn (each +2.1 percent). This meant that 2010 again showed that locations with a university or other institution of higher education enjoy a more stable residential property market than cities without such demand from students. Average monthly rents in Münster across all market segments amounted to €7.75 per square meter.

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	2.0	1.8	2.0	2.0	1.9	1.7
Permits for new buildings	1,118	1,099	1,763	1,360	1,328	1,497
Finished apartments	1,074	900	1,092	1,451	1,274	1,118
Housing stock	137,354	138,196	139,142	140,520	141,731	142,574
Housing stock in apartment buildings	70.2	70.0	69.7	69.6	69.5	69.5

Source: Techem-empirica (vacancy), NRW Statistics Office, compiled by CBRE

One notable development is that rents per square meter for high-quality apartments saw the most pronounced growth. Asking rents for well-appointed rental properties in good locations averaged €11.69 per square meter per month, up 5.3 percent on the previous year. This makes the upper price segment in the Westphalian administrative center the fourth most expensive in the entire federal state. Location- and quality-conscious tenants only pay higher monthly rents in Dusseldorf (€12.92 per square meter), Cologne (€12.65 per square meter) and Bonn (€11.82 per square meter). In Münster, apartments in the lower market segment commanded monthly rents of €5.16 per square meter, 1.7 percent more than in the previous year. Münster also occupied fourth place in the state as a whole in terms of average housing costs (€550 excluding heating, €763 including heating). Although Münster's tenants are among the most prosperous in North Rhine-Westphalia, with annual purchasing power of €21,651 per capita, the burden posed by rent in relation to this economic strength is extremely high. Rent excluding heating accounts for 15.8 percent of monthly household purchasing power, while the figure for rent including heating is 21.9 percent. Only Cologne has a higher percentage rate, with tenants spending 23.5 percent of their purchasing power on rent including heating.

In the most expensive postcode area, 48147 (Wienburg, city center), prime rents excluding heating for high-quality apartments with a large average size (81.5 square meters) amounted to €14.78 per square meter. Residents of this popular area of Münster spend 22.9 percent of their average household income of €3,261 on rent excluding heating and 30.4 percent on rent including heating. No postcode areas in Dusseldorf or Bonn can boast figures as high as this. On a city-wide basis, the districts of Central Münster (postcode 48143, rent burden including heating approx. 26.9 percent) and Mauritz (postcode 48145, rent burden including heating 27.2 percent) are similarly expensive. The high figures for these parts of the city can be attributed to the large number of students who prefer to live in central areas but have comparatively low purchasing power.

Investment market offers surprises

Compared with the rental market, there were varied trends in the property investment market in 2010. While apartment buildings saw significant price rises, the prices of condominiums fell in some cases. Across all quality classes and locations, purchase prices for apartment buildings increased by 10.8 percent year-on-year to €1,468 per square meter. For high-quality properties, buyers paid an average of €3,058 per square meter, 27.1 percent more than in the previous year. Properties in the lower market segment also appreciated by 23.5 percent, with sellers asking €813 per square meter for simple apartment buildings in Münster – the highest figure among all of the major cities in NRW. However, the small statistical basis may have affected this year's results: only 75 apartment buildings changed hands in Münster during the period under review, compared with 120 in the previous year.

As in most major cities in the state, purchase prices for condominiums in Münster saw muted development in 2010. With a downturn of 3.7 percent across all location and quality categories, the Westphalian university city was ranked in the upper mid-table compared with the 11 other major cities. The average purchase price for an extremely well-located apartment in a high-quality property was €3,349 per square meter, a figure beaten only by Dusseldorf (€3,525) and Cologne (€3,420) in the past year. In Münster, the moderate rise of 2.8 percent in the upper segment in 2010 was preceded by growth of 23.1 percent in 2009. According to experts from CB Richard Ellis, the fact that purchase prices increased only slightly suggests that the price landscape in Münster is also experiencing normalization.

Münster

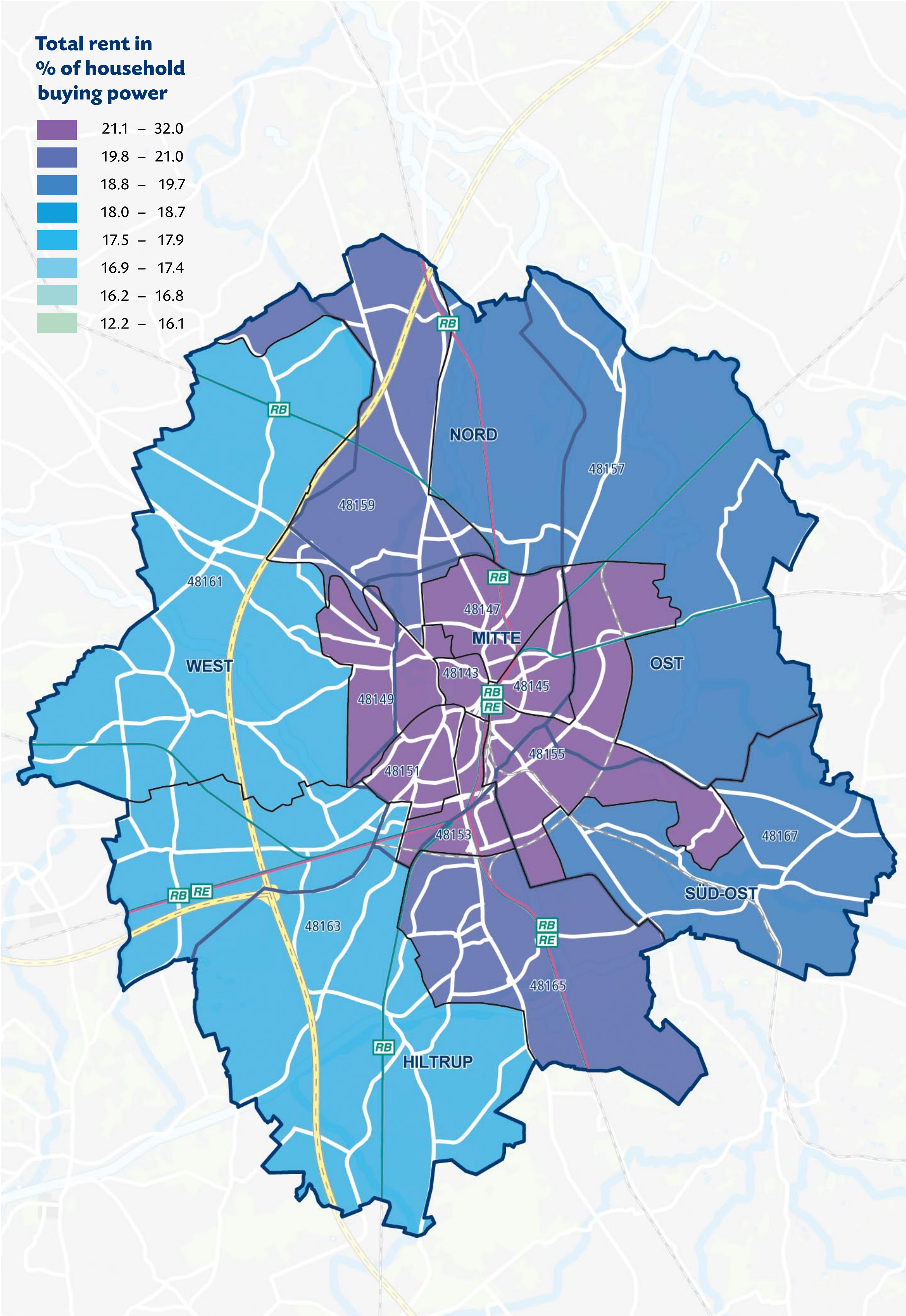
Housing market, cost, and expenditure ratio according to postal code

Housing data						Housing cost					
Postal code	Number of rental offers	Basic rent in bottom market segment in €/m²/month	Median basic rent in €/m²/month	Basic rent in top market segment in €/m²/month	Vacancy 2009 in %[1]	Apartment size Ø in m²	Basic housing cost Ø in €/month	Total housing cost[2] Ø in €/month	Household buying power Ø in €/month	Basic rent in % of household buying power	Total rent in % of household buying power
48143	255	5.00	9.00	13.46	1.5	73	659	878	3,267	20.2	**26.9**
48145	256	6.33	8.30	13.01	1.5	74	617	840	3,088	20.0	**27.2**
48147	300	6.48	9.16	14.78	1.4	82	746	991	3,261	22.9	**30.4**
48149	325	6.24	9.33	12.56	2.5	69	641	847	3,501	18.3	**24.2**
48151	286	6.35	8.36	11.94	0.8	63	529	719	3,089	17.1	**23.3**
48153	262	5.53	7.91	11.40	1.3	62	490	676	2,952	16.6	**22.9**
48155	300	5.95	8.33	11.52	1.6	67	559	761	3,459	16.2	**22.0**
48157	153	4.71	6.43	8.95	2.0	77	498	730	3,780	13.2	**19.3**
48159	246	4.50	7.00	10.78	3.1	69	483	690	3,451	14.0	**20.0**
48161	476	5.26	7.14	9.82	1.7	66	474	673	3,799	12.5	**17.7**
48163	171	5.12	6.50	10.00	1.8	74	481	703	3,942	12.2	**17.8**
48165	313	5.06	6.63	8.04	1.5	76	504	731	3,670	13.7	**19.9**
48167	306	4.90	6.81	9.07	2.3	76	518	746	3,838	13.5	**19.4**
Ø	3,649[3]	5.16	7.75	11.69	1.7	71	550	763	3,482	15.8	21.9
Ø NRW	378,959[3]	4.13	5.76	10.00	3.6	71	408	621	3,463	11.8	17.9

1) [Falling number of limited significance] 2) includes €3.00 operating cost/m² (DMB operating cost index 2010) 3) Total of offers
Source: CB Richard Ellis; based on data from: IDN Immodaten, GfK GeoMarketing (buying power data), Techem-empirica (vacancy)

Postal code allocation

48143 Central Münster,, **48145** Mauritz, **48147** Wienburg, city center, **48149** Central Münster, **48151** Geist, **48153** Geist, Berg Fidel, Central Münster,, **48155** Hafen, **48157** Gelmer, Coerde, Handorf, St. Mauritz, **48159** Sprakel, Kinderhaus, **48161** Gievenbeck, Roxel, Nienberge, Häger, **48163** Mecklenbeck, Albachten, Amelsbüren, **48165** Hiltrup, **48167** Angelmodde, Wolbeck, Gremmendorf


Total rent in % of household buying power
21.1 – 32.0
19.8 – 21.0
18.8 – 19.7
18.0 – 18.7
17.5 – 17.9
16.9 – 17.4
16.2 – 16.8
12.2 – 16.1
NORD
48157
48159
48161
48147
MITTE
WEST
OST
48143
48145
48149
48155
48151
48153
48167
SÜD-OST
48163
48165
HILTRUP
RB
RE

DIRECTORY OF SOURCES

Federal Statistics Office

Federal Labour Officet

Statistical Office of North Rhine-Westphalia

Committee of Valuation Experts for Cities and Districts in NRW

IDN ImmoDaten

GfK GeoMarketing GmbH

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http://www.kreis-olpe.de/standard/page.sys/details/eintrag_id=1807/content_id=1147/156.htm

GLOSSARY

Scoring: Ranking of the 54 districts and cities of North Rhine-Westphalia and the 11 other most populous cities in Germany in terms of the attractiveness of their property market.

Population forecast: Forecast of the population as prepared by the German Federal Statistical Office. The model applied is based on assumptions with regard to the development of the birth rate, life expectancy and the net migration rate.

Household forecast: Forecast of the number of households as prepared by the German Federal Statistical Office. The model applied is based on the figures from the micro-census on the development of private households in the period from 1991 to 2009. The results of the 12th coordinated population projection are taken into account.

Household purchasing power: The income available to private households from employment and self-employment including transfer benefits (unemployment benefits, child allowance, family allowance, annuities, pensions, training assistance, capital gains, income from agriculture and forestry, income from letting and leasing, etc.). Source: Gesellschaft für Konsumforschung.

Purchasing power index: Per-capita purchasing power of the district or city compared with the national average (Germany = 100). Source: Gesellschaft für Konsumforschung.

Multiple: Purchase price (excluding incidental costs)/gross rental income (before deduction of non-recoverable management costs).

Median: The numerical value separating the higher half of a sample from the lower half such that 50 percent of the values in the sample are contained in the upper and lower halves respectively.

Lower market segment: The segment containing the cheapest 10 percent of the available properties in the entire sample.

Upper market segment: The segment containing the most expensive 10 percent of the available properties in the entire sample.

Entire market segment: All of the available properties recorded via IDN Immodaten in the respective period, adjusted for duplicates.

Price range in the middle market segment: The range of asking rents covered by 80 percent of the available properties recorded.

Housing cost burden: Proportion of the monthly purchasing power of a household accounted for by rent excluding and including heating. Formula: Housing costs (excluding/including heating) x 100 / monthly household purchasing power.

Vacancy rate: The ratio of the active housing stock in apartment complexes for which no rent is being paid to the total active housing stock. Empirica calculates vacancy rates based on the settlement of utility costs by Techem.

Residential construction approvals: Approved construction measures for apartments in residential and non-residential buildings, including existing measures. Source: Statistical Office of North Rhine-Westphalia.

Residential construction completions: Completed apartments in residential and non-residential buildings, including existing measures. Source: Statistical Office of North Rhine-Westphalia.

Housing stock: Total number of apartments in residential and non-residential buildings.

IDN Immodaten: Germany-wide database of properties available for rental and purchase, with around 1.8 million adverts from more than 100 sources added every month.

Housing costs (excluding heating): Average apartment size x rent excluding heating per square meter (median).

Housing costs (including heating): Average apartment size x (rent excluding heating per square meter (median) + utility costs of €3.00).

MASTHEAD

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